



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 10/30/2008

GAIN Report Number: IN8128

India

Coffee

Update

2008

Approved by:

Holly Higgins
U.S. Embassy

Prepared by:

A. Govindan

Report Highlights:

The MY 2008/09 coffee production estimate is revised marginally downward to 4.7 million bags due to uneven rainfall distribution in major growing regions. The rapid growth in local cafe chains has led to an increase in domestic coffee consumption in recent years. Coffee exports in MY 2008/09 could decline marginally due to the global financial crisis and economic slowdown.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Trade Report
New Delhi [IN1]
[IN]

Production

Although the Indian Coffee Board's Post Blossom Estimate pegs 2008/09 coffee production at 293,000 tons or 4.9 million 60-kg bags (100,000 tons Arabica and 193,000 tons Robusta), this is likely to be revised marginally downward because of uneven rainfall later in the season affecting berry setting. Consequently, Post revises production downward to 280,000 tons (4.7 million 60-kg bags), which would include 190,000 tons Robusta and 90,000 tons Arabica), compared with 262,000 tons in MY 2007/08.

Coffee bearing area has shown a steady expansion over the past several years, with most of the increase in Robusta. In areas where both Robusta and Arabica can be grown, farmers prefer Robusta because of higher yields and less risk of pest infestation, particularly the more dangerous white stem borer. In recent years, there has been an expansion of coffee plantation, mostly Robusta, in the non-traditional coffee growing states of Andhra Pradesh and Orissa.

The average size of coffee holdings in India is about 1.8 hectares, with small holdings (less than 10 hectares) accounting for almost 75 percent of the total holdings and accounting for 70 percent of coffee production. The cost of production of coffee is increasing because of the higher cost of labor, fertilizer, and petroleum products. Mechanization in Indian coffee plantation is difficult because of the uneven terrain.

Consumption

Domestic coffee consumption is growing and is expanding into non-traditional consuming regions in northern India, due in part to a surge in coffee bars in major cities in recent years. For example, the Café Coffee Day, a leading chain, with about 660 stores, is on an expansion spree, opening around 25 stores every month. Costa Coffee, one of the UK's most popular coffee retail chains, plans to have 300 outlets in India in four years, up from 42 currently. Other coffee cafe chains in India include Barista Coffee, Café Mocha, and Qwiky's. The demand for coffee making machines is also reported to be increasing although several new players in this field are not well versed in coffee making. India plans to subsidize the cost of processing more coffee domestically to increase the country's roasting capacity. According to the Chairperson of the state owned Indian Coffee Board, the government will pay 25 per cent of the cost of equipment, including transportation and duties, to build roasting capacity. Coffee consumption in CY 2007 is estimated at 90,000 tons and is expected to increase to 95,000 tons in CY 2008.

Farm-gate prices of coffee in major producing centers increased steadily in 2008 reaching Rs. 5,194 (\$106) per 50 kg for Arabica parchment and Rs. 5,188 (\$105.9) per 50 kg for Robusta parchment at Chikamangalur in July, an increase of around 30 and 45 percent respectively over a year ago. Retail prices of coffee powder also registered a significant increase in 2008, reaching Rs. 240 per Kg (\$2.2 per pound) in July compared to Rs. 200 a year ago.

Trade

Coffee exports (including re-exports) from India in MY 2007/08, based on export permits issued by the Coffee Board, are estimated at around 231,000 tons valued at \$ 586.3 million against 219,796 tons valued at \$444.8 million in MY 2006/07. Exports include about 70,000 tons of Arabica, 112,000 tons of Robusta, and 49,000 tons of soluble coffee. Major export markets for Indian coffee were Italy, Russia, Germany, Belgium, Spain, Finland, Ukraine, Jordan, Croatia, and Slovenia. According to trade sources rising freight costs and higher domestic transportation costs are hurting coffee exports. There is some apprehension that the current global financial crisis and economic slowdown could affect coffee exports from

India in MY 2008/09. European roasters who account for bulk of India's Arabica shipments are reportedly delaying contracting for this year's purchases. Post currently forecasts MY 2008/09 exports at 225,000 tons.

Miscellaneous

The Indian Coffee Board Chairperson, Mr. G.V. Krishna Rau, was unanimously elected Chairperson of the Executive Board of the International Coffee Organization for 2008-09. One of his major tasks will be to oversee the transition from the International Coffee Agreement of 2001 to the 2007 Agreement.

The Coffee Board in association with coffee industry stakeholders including growers, roasters and exporters will host the India International Coffee Festival 2009 in Bangalore during March 5-8, 2009.

Table 1: Commodity, Coffee, PSD

Coffee, Green India	2007			2008			2009		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Oct 2006			Market Year Begin: Oct 2007			Market Year Begin: Oct 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Sep
			Data			Data			Data
Area Planted	355	355	381	0		384	0		387 (1000 HA)
Area Harvested	329	329	343	0		342	0		343 (1000 HA)
Bearing Trees	545	545	545	0		550	0		555 (MILLION TREES)
Non-Bearing Trees	75	75	75	0		75	0		70 (MILLION TREES)
Total Tree Population	620	620	620	0		625	0		625 (MILLION TREES)
Beginning Stocks	1812	931	1812	2228		2228	1981		1661 (1000 60 KG BAGS)
Arabica Production	1662	1415	1662	1542		1542	1583		1500 (1000 60 KG BAGS)
Robusta Production	3138	3250	3138	2825		2825	3167		3167 (1000 60 KG BAGS)
Other Production	0	0	0	0		0	0		0 (1000 60 KG BAGS)
Total Production	4800	4665	4800	4367		4367	4750		4667 (1000 60 KG BAGS)
Bean Imports	700	400	700	700		400	700		400 (1000 60 KG BAGS)
Roast & Ground Imports	0	0	0	0		0	0		0 (1000 60 KG BAGS)
Soluble Imports	0	0	0	0		0	0		0 (1000 60 KG BAGS)
Total Imports	700	400	700	700		400	700		400 (1000 60 KG BAGS)
Total Supply	7312	5996	7312	7295		6995	7431		6728 (1000 60 KG BAGS)
Bean Exports	2598	2500	2598	2720		3023	2850		2890 (1000 60 KG BAGS)
Rst-Grnd Exp.	7	5	7	10		7	10		10 (1000 60 KG BAGS)
Soluble Exports	1059	950	1059	1100		820	1140		850 (1000 60 KG BAGS)
Total Exports	3664	3455	3664	3830		3850	4000		3750 (1000 60 KG BAGS)
Rst,Ground Dom. Consum	1170	1200	1170	1224		1224	1300		1300 (1000 60 KG BAGS)
Soluble Dom. Cons.	250	240	250	260		260	280		300 (1000 60 KG BAGS)
Domestic Use	1420	1440	1420	1484		1484	1580		1600 (1000 60 KG BAGS)
Ending Stocks	2228	1101	2228	1981		1661	1851		1378 (1000 60 KG BAGS)
Total Distribution	7312	5996	7312	7295		6995	7431		6728 (1000 60 KG BAGS)